

**MERCY FAMILY CENTER  
FINANCIAL STATEMENTS AND  
AUDITORS' REPORT**

*June 30, 2014 and 2013*

# **MERCY FAMILY CENTER**

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# Kushner LaGraize, L.L.C.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Mercy Family Center

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mercy Family Center (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

As discussed more fully in Note I, the financial statements presented are only for Mercy Family Center and are not intended to present fairly the financial position and changes in net assets of Mercy Health.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Family Center as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of Mercy Family Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mercy Family Center's internal control over financial reporting and compliance.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
December 9, 2014

**MERCY FAMILY CENTER**  
**STATEMENTS OF FINANCIAL POSITION**  
*June 30, 2014 and 2013*

ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 505,786	\$ 210,734
Certificates of deposit	125,000	125,000
Receivables		
Patients, net	166,916	208,361
Students, net	4,978	5,568
Grants	<u>40,071</u>	<u>28,869</u>
Total receivables	211,965	242,798
Prepaid expenses	<u>8,525</u>	<u>23,215</u>
Total current assets	851,276	601,747
Property and equipment – at cost, net of depreciation and amortization	10,677	19,230
Deposits	<u>13,823</u>	<u>13,823</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 875,776</u></b>	<b><u>\$ 634,800</u></b>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 11,553	\$ 13,472
Accrued expenses	147,561	165,026
Unearned revenue	123,303	126,426
Patient refunds payable	<u>44,636</u>	<u>103,595</u>
Total current liabilities	327,053	408,519
Due to Mercy Health	9,082,658	7,248,107
Long-term lease payable	<u>-</u>	<u>4,638</u>
<b>TOTAL LIABILITIES</b>	<b>9,409,711</b>	<b>7,661,264</b>

COMMITMENTS AND CONTINGENCIES

Net assets		
Unrestricted	<u>(8,533,935)</u>	<u>(7,026,464)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 875,776</u></b>	<b><u>\$ 634,800</u></b>

**MERCY FAMILY CENTER**  
**STATEMENTS OF ACTIVITIES**  
*For the Years Ended June 30, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>		
Patient service revenues	\$ 1,060,028	\$ 988,859
Provision for bad debts	53,308	(226,386)
Bad debt recoveries	<u>10</u>	<u>1,606</u>
Net patient service revenues	1,113,346	764,079
Net student service revenues	66,252	65,110
Contributions	-	850
Grants	474,221	543,215
Other income	<u>66</u>	<u>1,972</u>
<b>TOTAL REVENUES</b>	1,653,885	1,375,226
<b>EXPENSES</b>		
Salaries	2,197,306	2,260,348
Fringe benefits	341,157	339,952
Travel	34,899	42,273
Maintenance contracts	1,565	21,834
Supplies	72,385	85,543
Telephone	58,348	56,560
Utilities	14,661	12,665
Equipment expense	10,743	10,681
Lease and rentals	284,080	272,072
Insurance	459	10,752
Marketing	3,664	1,711
Dues and subscriptions	6,888	6,624
Legal and auditing	24,677	24,129
Consulting fees	8,870	5,395
Seminars and training	45,687	25,532
Depreciation and amortization	8,553	21,481
Other	<u>47,414</u>	<u>63,855</u>
<b>TOTAL EXPENSES</b>	<u>3,161,356</u>	<u>3,261,407</u>
Decrease in net assets	(1,507,471)	(1,886,181)
Net assets, beginning of year	<u>(7,026,464)</u>	<u>(5,140,283)</u>
Net assets, end of year	<u>\$ (8,533,935)</u>	<u>\$ (7,026,464)</u>

The accompanying notes are an integral part of these financial statements.

**MERCY FAMILY CENTER**  
**STATEMENTS OF CASH FLOWS**  
*For the Years Ended June 30, 2014 and 2013*

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Decrease in net assets	\$ (1,507,471)	\$ (1,886,181)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,553	21,481
Provision for bad debts	(53,308)	226,386
Changes in assets and liabilities:		
Decrease (increase) in receivables	84,141	(285,032)
Decrease in prepaid expenses	14,690	1,346
(Decrease) in accounts payable, accrued expenses and unearned revenue	(22,507)	(508,907)
(Decrease) in long-term lease payable	(4,638)	(3,663)
(Decrease) increase in patient refunds payable	<u>(58,959)</u>	<u>76,117</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	(1,539,499)	(2,358,453)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in due to Mercy Health	<u>1,834,551</u>	<u>2,258,625</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>1,834,551</u>	<u>2,258,625</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	295,052	(99,828)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>210,734</u>	<u>310,562</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 505,786</u></u>	<u><u>\$ 210,734</u></u>

**MERCY FAMILY CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
*For the Years Ended June 30, 2014 and 2013*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

***Nature of Activities***

Mercy Family Center is an affiliate of Mercy Health, a non-profit corporation. Mercy Family Center is a multi-disciplinary, comprehensive mental health program for children and their families, as well as adults. Its services consist of counseling, testing and assessments for all ranges of abilities, medication management, treatment of Attention Deficit Hyperactivity Disorder, parent training for adolescent behavior management, teacher training, and school consultations and observations. Mercy Family Center has three clinics located in Metairie, New Orleans, and Mandeville, Louisiana and learning centers located in Metairie, New Orleans and Mandeville, Louisiana.

***Financial Statement Presentation***

Mercy Family Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no temporarily or permanently restricted net assets at June 30, 2014 and 2013.

***Revenue Recognition***

For financial reporting purposes, Mercy Family Center recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions."

Grant revenue is recognized as it is earned in accordance with the terms of the approved contracts.

Net patient service revenues are reported at estimated net realized amounts from patients, third-party payors, and others for services rendered. In addition, charity allowances of \$140 and \$11,158 have been netted with patient service revenues for the years ended June 30, 2014 and 2013, respectively



**MERCY FAMILY CENTER**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*For the Years Ended June 30, 2014 and 2013*

**NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Net Patient Service Revenues and Patient Accounts Receivable***

Patient service revenues (net of contractual allowances and discounts) are recorded during the period the health care services are provided and are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Estimates of contractual allowances under managed care health plans are based upon the services provided, historical payment rates and the payment terms specified in the related contractual agreements. Revenues related to uninsured patients have discounts applied in accordance with Mercy Family Center policy. Net patient service revenues are reported net of provision for bad debts.

Patient accounts that are uncollected, including those placed with collection agencies, are initially charged against the allowance for uncollectible accounts in accordance with collection policies of Mercy Family Center and, in certain cases, are reclassified to charity care if deemed to otherwise meet Mercy Family Center's charity care policy. The provision for bad debts is based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for bad debts based upon the payor composition and aging of receivables as of the reporting date with consideration of the historical payment and write-off experience by payor category. The results of these reviews are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for bad debt. After satisfaction of amounts due from insurance, Mercy Family Center follows established guidelines for placing past-due patient balances with collection agencies.

***Property and Equipment***

The cost of property and equipment is depreciated/amortized on a straight-line basis over the estimated useful lives of the assets (generally 3 to 10 years). Donated assets are recorded at the estimated value at the date of donation. Depreciation and amortization expense for the years ended June 30, 2014 and 2013 totaled \$8,553 and \$21,481, respectively.

It is the policy of Mercy Family Center to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$1,000.

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**MERCY FAMILY CENTER**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*For the Years Ended June 30, 2014 and 2013*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

***Advertising Costs***

Advertising costs are expensed as incurred. The Organization recognized \$3,664 and \$1,711 of such costs during the years ended June 30, 2014 and 2013, respectively.

***Cash Equivalents***

For the purposes of the statement of cash flows, Mercy Family Center considers all investments with original maturities of three months or less to be cash equivalents.

***Fair Values of Financial Instruments***

Fair value estimates, methods and assumptions for the Organization's financial instruments of cash and cash equivalents, certificates of deposit, receivables, prepaid expenses, accounts payable and accrued expenses, unearned revenue, patient refunds payable and due to Mercy Health are that the carrying amounts reported in the statements of financial position are a reasonable estimate of fair value as of June 30, 2014 and 2013.

***Pension Plans***

Prior to July 1, 2011, Mercy Health sponsored an active defined benefit retirement plan for affiliates of Mercy Health. Effective July 1, 2011, the Plan was closed to new entrants, and pay credits ceased. Participants' cash balance accounts will continue to earn interest credits. For the year ended June 30, 2013, Mercy Health contributed \$2,500,000 as an interest payment to this Plan which covered all organizations under Mercy Health, including Mercy Family Center. The portion allocated to Mercy Family Center is approximately \$2,626 based on a percentage of active payroll. The Organization did not make any contributions to this plan for the year ended June 30, 2014.

Mercy Health also sponsors a 401(k) Plan for affiliates of Mercy Health. Effective July 1, 2011, the 401(k) Plan was amended to include an improved employer matching contribution and to add a non-matching service-based employer contribution. Contributions by the Organization to this Plan for the years ended June 30, 2014 and 2013 were \$75,043 and \$83,994, respectively.

**NOTE 2 - CERTIFICATES OF DEPOSIT**

The certificates of deposit totaling \$125,000 at June 30, 2014 and 2013, are pledged to the Louisiana Patient's Compensation Fund as a condition of the malpractice insurance coverage purchased by Mercy Family Center.

**MERCY FAMILY CENTER**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*For the Years Ended June 30, 2014 and 2013*

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2014 and 2013 consists of the following:

	2014	2013
Leasehold improvements	\$ 521,351	\$ 521,351
Furniture and equipment	413,528	413,528
Less accumulated depreciation and amortization	(924,202)	(915,649)
	<u>\$ 10,677</u>	<u>\$ 19,230</u>

**NOTE 4 - COMMITMENTS**

Mercy Family Center leases its facilities in Metairie, New Orleans and Mandeville, Louisiana under noncancellable agreements accounted for as operating leases. The Metairie office lease expired January 2014 and was extended through July 2015. The Mandeville office lease expires in December 2014. The New Orleans office lease expired October 2013 and was renewed through October 2016. The Mandeville Learning Center lease expired May 2014 and was continued on a month-to-month basis.

Future minimum lease payments are as follows for the year ending June 30:

2015	\$ 213,952
2016	54,223
2017	13,961
	<u>\$ 282,136</u>

The rental expense for the years ended June 30, 2014 and 2013 totaled \$284,080 and \$272,072, respectively.

**NOTE 5 - INCOME TAXES**

Mercy Family Center is a non-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's tax returns for 2011, 2012 and 2013 remain subject to examination from taxing authorities. The 2014 tax return has not been filed as the Organization applied for an extension of time to file the 2014 tax return.

The Organization recognizes the tax benefit from uncertain tax positions only if it is "more likely than not" the tax position will be sustained on examination by the taxing authorities. To the extent the Organization's assessment of such tax positions change, the change will be recorded in the period in which the determination is made. No adjustments were required for the years ended June 30, 2014 and 2013.

**MERCY FAMILY CENTER**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*For the Years Ended June 30, 2014 and 2013*

**NOTE 6 - OFF-BALANCE SHEET RISK**

The uninsured cash balances consist of the following at June 30, 2014 and 2013:

	2014	2013
Cash balances per bank statements	\$ 630,935	\$ 325,017
Less FDIC insurance	(374,980)	(325,017)
Uninsured cash balances	<u>\$ 255,955</u>	<u>\$ -</u>

**NOTE 7 - CONCENTRATIONS OF CREDIT RISK**

Mercy Family Center grants credit without collateral to its patients, most of whom are local residents and are insured under Medicaid or third-party payor agreements. Mercy Family Center recognizes that revenues and receivables from government agencies are significant to the Organization's operations, but does not believe that there are any significant credit risks associated with these government agencies. The mix of receivables (before the provision of bad debt) from patients and third-party payors at June 30, 2014 and 2013, was as follows:

	2014	2013
Medicaid	4%	3%
Blue Cross/Blue Shield	19%	11%
Magellan of Louisiana	32%	38%
Other third-party payors	34%	32%
Patients	<u>11%</u>	<u>16%</u>
	<u>100%</u>	<u>100%</u>

The State of Louisiana launched the Louisiana Behavioral Health Partnership in March 2012 and selected Magellan of Louisiana (Magellan) to coordinate care, contract with providers and handle billing and reimbursement. As a result, Medicaid claims are processed through Magellan for the years ended June 30, 2014 and 2013.

**NOTE 8 – RECEIVABLES/REVENUES**

The following is a summary of Mercy Family Center's patient service revenues, net of contractual allowances and discounts (before the provision for bad debt) by major payor.

	2014	June 30 %	2013	%
Medicare	\$ 23,215	2%	\$ 2,670	0%
Medicaid	360,410	34%	434,109	44%
Managed care/other	649,903	61%	538,085	55%
Self-pay	26,500	3%	13,995	1%
Total	<u>\$ 1,060,028</u>	<u>100%</u>	<u>\$ 988,859</u>	<u>100%</u>

**MERCY FAMILY CENTER**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*For the Years Ended June 30, 2014 and 2013*

**NOTE 8 – RECEIVABLES/REVENUES - Continued**

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Noncompliance with Medicare and Medicaid laws and regulations can make Mercy Family Center subject to significant regulatory action, including substantial fines and penalties, as well as exclusion from the Medicare and Medicaid programs.

Mercy Family Center grants credit to patients in return for health care services rendered to said patients, substantially all of whom are residents of the community served. Mercy Family Center does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, HMOs, and commercial insurance policies). At June 30, 2014 and 2013, approximately 33% and 35%, respectively, of net accounts receivable were collectible from governmental payors (including Medicare and Medicaid), with approximately 56% and 50%, respectively, of net accounts receivable collectible from commercial insurance and managed care payors.

The allowance for bad debt was \$138,671 and \$309,198 as of June 30, 2014 and 2013, respectively. These balances as a percent of accounts receivable were approximately 48% and 59% as of June 30, 2014 and 2013, respectively. Mercy Family Center has experienced an increase in write-off trends related to bad debt and charity across the ministry driven by higher unemployment, loss of employer-sponsored insurance plans, and rising patient responsibility balances. Mercy Family Center reviews and updates its uninsured discount rate on an annual basis. There have been no significant changes to the charity care policies for the year ended June 30, 2014.

The following is a summary of Mercy Family Center's allowance for bad debt activity:

	June 30	
	2014	2013
Balance at beginning of period	\$ 309,198	\$ 318,130
Provision for bad debt	(53,308)	226,386
Accounts written off, net of recoveries and other	(117,219)	(235,318)
Balance at end of period	\$ 138,671	\$ 309,198

Mercy Family Center patient receivables and Mercy Family Center student receivables consisted of the following at June 30, 2014:

**MERCY FAMILY CENTER**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*For the Years Ended June 30, 2014 and 2013*

**NOTE 8 – RECEIVABLES/REVENUES - Continued**

	<u>Mercy Family Center</u>	<u>Mercy Learning Center</u>
Receivables	\$ 304,447	\$ 6,118
Less allowance for doubtful accounts	<u>(137,531)</u>	<u>(1,140)</u>
	<u>\$ 166,916</u>	<u>\$ 4,978</u>

Mercy Family Center patient receivables and Mercy Family Center student receivables consisted of the following at June 30, 2013:

	<u>Mercy Family Center</u>	<u>Mercy Learning Center</u>
Receivables	\$ 515,686	\$ 7,441
Less allowance for doubtful accounts	<u>(307,325)</u>	<u>(1,873)</u>
	<u>\$ 208,361</u>	<u>\$ 5,568</u>

Mercy Family Center receivables are net of contractual allowances, denial of claims, and ineligible charges.

**NOTE 9 - MERCY HEALTH**

At June 30, 2014 and 2013, Mercy Family Center had a payable of \$9,082,658 and \$7,248,107, respectively, due to Mercy Health for payment of salaries and fringe benefits and other expenses on behalf of Mercy Family Center. Mercy Health does not require collateral or charge interest. This payable is not expected to be paid in the next year.

During the years ended June 30, 2014 and 2013, \$2,376,603 and \$2,343,265, respectively, was paid by Mercy Health on behalf of Mercy Family Center for salaries and fringe benefits.

**NOTE 10 - FEDERAL FINANCIAL ASSISTANCE**

Mercy Family Center has been awarded grants to provide behavioral health services to children, adolescents and families, and adults. The grants are considered to be exchange transactions. Accordingly, revenues are recognized when earned and expenses are recognized as incurred. Grant activity for the years ended June 30, 2014 and 2013 was as follows:

**MERCY FAMILY CENTER**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*For the Years Ended June 30, 2014 and 2013*

**NOTE 10 - FEDERAL FINANCIAL ASSISTANCE - Continued**

	<u>2014</u>	<u>2013</u>
Unearned revenue, beginning of year	\$ -	\$ 13,873
Grant payments returned	-	(13,873)
Grant receipts	321,725	296,362
Grant expenditures	(351,294)	(315,921)
Grant receivable	<u>29,569</u>	<u>19,559</u>
Unearned revenue, end of year	<u>\$ -</u>	<u>\$ -</u>

**NOTE 11 - FUNCTIONAL EXPENSES**

Expenses incurred for the years ended June 30, 2014 and 2013 were for the following purposes:

	<u>2014</u>	<u>2013</u>
Management and general	\$ 318,663	\$ 378,250
Program services	2,808,679	2,854,984
Marketing	3,665	1,711
Fundraising	<u>30,349</u>	<u>26,462</u>
	<u>\$ 3,161,356</u>	<u>\$ 3,261,407</u>

**NOTE 12 - UNCERTAINTIES, CONTINGENCIES AND RISKS**

On October 17, 2012, the Organization received a notification from Catholic Charities Archdiocese of New Orleans (CCANO) that they were disallowing \$30,883 of reported expenses related to their post BP Oil Spill behavioral health grant. During the grant period of January 1, 2011 through July 31, 2012, the Organization reported \$229,304 in expenses and CCANO approved \$198,421 of this total. CCANO requested a repayment of the difference between the \$360,000 advanced by CCANO less the approved expenses; however, the Organization contested these disallowances on the basis that the expenses were included in the approved final budget for the grant.

On February 7, 2013, the Organization received a response from CCANO that they were unable to accept the Organization's request to submit an amended final Actual versus Budget Report. However, CCANO increased the approved amount to \$213,700 and requested repayment of the total amount advanced less the amount approved. The Organization repaid the amount due to CCANO of \$146,300 on March 25, 2013.

**MERCY FAMILY CENTER**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*For the Years Ended June 30, 2014 and 2013*

**NOTE 13 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through the date the financial statements were available to be issued, which corresponds with the date of the independent auditors' report. No material subsequent events have occurred since June 30, 2014 that requires recognition or disclosure in these financial statements.



## ***SUPPLEMENTAL INFORMATION***

**MERCY FAMILY CENTER**  
**SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Years Ended June 30, 2014 and 2013*

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	TOTAL FEDERAL EXPENDITURES	
		2014	2013
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Funds passed through Substance Abuse and Mental Health Services Administration			
Project Fleur de lis	93.243	\$ 351,294	\$ 315,921
Total U.S. Department of Health and Human Services		\$ 351,294	\$ 315,921

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**

Presentation of Financial Statements

The accompanying Schedules of Expenditures of Federal Awards have been prepared on the accrual basis of accounting. Grant revenues are recorded, for financial reporting purposes, when Mercy Family Center has met the cost of reimbursement or funding qualifications for the respective grants.

# Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Mercy Family Center

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mercy Family Center (the Organization) which comprises the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 9, 2014.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Mercy Family Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mercy Family Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
December 9, 2014

**MERCY FAMILY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year Ended June 30, 2014*

**SECTION I - SUMMARY OF THE AUDITORS' REPORTS**

The auditors' report expresses an unmodified opinion on the financial statements of Mercy Family Center.

No significant deficiencies were reported during the audit of the financial statements in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

No instances of noncompliance that were material to the financial statements are reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

A Management Letter was not issued for the year ended June 30, 2014.

**SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

None Noted.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None Noted.

**MERCY FAMILY CENTER**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
*For the Year Ended June 30, 2014*

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None Noted.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted.

SECTION III – MANAGEMENT LETTER

None Issued.